



Prudential Savings Bank

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September 7, 2006

Mr. Robert E. Feldman
Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Re: Deposit Insurance Assessments
and FHLB Advances

Dear Mr. Feldman,

I am writing in regard to the FDIC notice of proposed rulemaking and request for comment on deposit insurance assessments. Specifically, I write to address the FDIC's request for comment on whether FHLB Advances should be included in the definition of "volatile liabilities", or alternatively, whether higher assessment rates should be charged to institutions that have significant amounts of secured liabilities. **I believe that enacting this rule would be harmful to FHLBanks, their member institutions and to affordability and access to housing.**

FHLBanks and their members are the largest source of residential mortgage credit in America. It is this credit that has created record homeownership rates and allows homeowners to use the equity in their homes for improvements, retirement, and even college tuition.

By penalizing the use of FHLB advances, institutions will be forced to either seek less attractive, potentially more expensive funding or curtail their lending. In either case consumers, especially those on the lower end of the economic scale, will be hurt by higher costs and a tighter credit market.

Member FDIC

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The profits generated by FHLBanks, primarily through their advance products, contribute to the largest low-income housing grant program in the nation. Every year, FHLBanks contribute ten percent of their profits to affordable housing grants. Homeless shelters, first-time homebuyer projects and housing for substance abuse recovery are just three examples of projects that have benefited from the FHLBank's Affordable Housing Program (AHP). Since 1990, the AHP has provided over \$2.3 billion for these activities. An unwarranted reduction in FHLBank advances would result in the availability of fewer dollars for these projects.

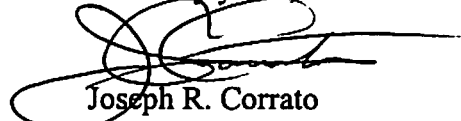
FHLBank advances are not volatile liabilities for members. They come with set, predictable terms allowing efficient balance sheet management. Unlike deposits, advances do not diminish when market forces or consumer habits change.

FHLBanks themselves are a core part of the American banking system. As created by Congress in 1932, they have been the standard for stability, surviving the swings of markets, interest rates and business cycles. Their cooperative structure, joint and several liability and conservative business models ensure the future availability of liquidity from advance products for their members, over 8,000 in all.

When Congress created the FHLBank System, its goal was to increase home ownership via a steady stream of mortgage credit. The use of advances by members as an accessible and dependable funding source was the key to achieving this goal. Congress reiterated its support of advances by expanding access to this funding in the Gramm-Leach-Bliley Act. **This proposal, which seeks to penalize the judicious use of advances, runs contrary to the actions and intent of Congress.**

I appreciate the opportunity to comment on this important matter.

Sincerely yours,



Joseph R. Corrato
Executive Vice President-
Chief Financial Officer